

**CENTRAL WEBER SEWER
IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2005

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT

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Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Trustees
Central Weber Sewer Improvement District
Marriott-Slaterville, Utah

We have audited the accompanying financial statements of the Central Weber Sewer Improvement District as of and for the year ended December 31, 2005, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Weber Sewer Improvement District at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

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In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Davis, Chase & Associates

June 15, 2006

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ending December 31, 2005

Introduction

The purpose of this document is to discuss and analyze the financial performance and activities of Central Weber Sewer Improvement District for the year ended December, 31, 2005. Beginning January 1, 2004 the District implemented the new financial reporting standards established by Governmental Accounting Standard's Board Statement 34.

The District provides sewer treatment service for approximately 165,000 people located in Weber and Davis Counties. The cities of Farr West, Harrisville, North Ogden, Ogden, Pleasant View, Riverdale, South Ogden, South Weber, Washington Terrace and West Haven are fully serviced by the District, along with Uintah Highlands Special Service District. Parts of Hooper, Marriott-Slaterville, Plain City, Roy and Unincorporated Weber County are also serviced by the District.

The District currently has approximately 35 miles of outfall sewer lines. During 2005 the District averaged 37,300,000 gallons of water treated per day. This represents an increase flow of 7.2% from 2004.

Overview of the Financial Statements

Central Weber Sewer Improvement District has one Proprietary Fund known as an Enterprise Fund. An Enterprise Fund may be used to report any activity for which a fee is charged to external users for goods or services. An Enterprise Fund is used to report the financial information of business-type activities provided by government.

Financial activity for the year will be presented using several required financial statements: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows.

Highlights

The District completed construction of a new utility water pump station. This project was completed in the spring of 2005 and provides the District with a much better source of secondary water to be used in the plant operation and for use in watering the grounds. The river crossing north of the Riverdale viaduct was stabilized and secured. Efforts are continuing in regards to a water reuse project.

Financial Analysis of the District

Capital Assets

The District spent \$2,227,488.65 on Capital Projects during 2005. An additional \$1,064,446.91 of Construction in Progress was completed and put into service. The Utility Water Pump Station was the most expensive project of the year. Total cost for the pump station was \$1,293,473.54. The Riverdale River Crossing cost \$639,197.80. Other large projects included the HVAC and Electrical Upgrade of the Control Building, \$452,772.21, the design of the Riverdale South Interceptor, \$353,454.25, and SCADA System upgrades, \$121,055.29.

Annual Depreciation for the year was \$1,592,835.97.

Listed below is a summary of the Capital Assets as of December 31, 2005.

Capital Assets				
Net of Depreciation				
	2005	2004	Increase (Decrease)	% Change
Land	\$ 888,083.75	\$ 888,083.75	0.00	0.00%
Building & Structure	13,109,127.31	11,679,399.87	1,429,727.44	12.24%
Treatment Facilities	10,820,307.23	11,205,921.99	(385,614.76)	-3.44%
Outfall Lines	15,093,289.65	14,815,108.63	278,181.02	1.88%
Equipment	421,195.64	462,734.65	(41,539.01)	-8.98%
Vehicles	172,531.80	230,608.83	(58,077.03)	-25.18%
Construction in Progress	977,966.06	1,565,991.04	(588,024.98)	-37.55%
Total Assets	\$ 41,482,501.44	\$ 40,847,848.76	\$ 634,652.68	1.55%
New Assets	\$ 2,227,488.65			
Depreciation	(1,592,835.97)			
Net Change	\$ 634,652.68			

Debt

At year end the District had \$9,824,537.58 of outstanding debt. This represents a decrease of \$130,764.68 from 2004.

Outstanding Debt at Year End				
	2005	2004	Increase (Decrease)	% Change
Note Payable - Ogden City	\$ 21,000.00	\$ 25,000.00	(4,000.00)	-16.00%
Bond Payable - DWQ	9,680,000.00	9,820,000.00	(140,000.00)	-1.43%
Accrued-Compensated Absences	123,537.58	110,302.26	13,235.32	12.00%
Total	\$ 9,824,537.58	\$ 9,955,302.26	(130,764.68)	-1.31%

The District entered into an agreement with Ogden City to purchase the Wall Avenue Sewer Outfall Line on January 27, 1986. The original sum of the note payable was \$105,000.00. Annual payments of \$4,000.00 per year are made to Ogden City. The note is non-interest bearing and will be fully paid in the year 2011.

On February 13, 2001, the Board of Trustees entered into an agreement with the Division of Water Quality, authorizing the issuance and sale of non-interest bearing, sewer revenue bonds. The amount of the issuance was \$10,180,000.00. A payment of \$140,000.00 was made during the 2005 budget year.

Accrued-Compensated Absences represents the total obligation of the District to employees for accrued leave time as of December 31, 2005. This balance had a increase of \$13,235.32 during the year.

Net Assets

A summary of the Net Assets is listed below. The summary lists the balances for 2004 and 2005. It includes a column showing the increase or decrease between the two years.

Net Assets				
	2005	2004	Increase (Decrease)	% Change
Current & Other Assets	\$ 11,074,037.59	\$ 9,826,668.41	\$ 1,247,369.18	12.69%
Noncurrent Restricted Cash	\$ 317,292.13	\$ 251,629.21	65,662.92	26.10%
Capital Assets	41,482,501.44	40,847,848.76	634,652.68	1.55%
Total Assets	\$ 52,873,831.16	\$ 50,926,146.38	\$ 1,947,684.78	3.82%
Long-Term Liabilities	\$ 9,670,537.58	\$ 9,811,302.26	\$ (140,764.68)	-1.43%
Other Liabilities	369,378.19	520,582.48	(151,204.29)	-29.05%
Total Liabilities	\$ 10,039,915.77	\$ 10,331,884.74	\$ (291,968.97)	-2.83%
Net Assets				
Invested in Capital Assets, net of Related Debt	\$ 31,781,501.44	\$ 31,002,848.76	\$ 778,652.68	2.51%
Restricted	254,843.42	191,208.13	63,635.29	33.28%
Unrestricted	10,797,570.53	9,400,204.75	1,397,365.78	14.87%
Total Net Assets	\$ 42,833,915.39	\$ 40,594,261.64	\$ 2,239,653.75	5.52%

The Statement of Net Assets (Balance Sheet) is the basic statement of position for all the District's permanent accounts, such as assets, liabilities and equity.

During 2005 total assets increased by \$1,947,684.78. Cash increased by \$1,234,873.12 and capital assets, net of depreciation, increased by \$634,652.68. Depreciation expense for the year was \$1,592,835.97.

Total liabilities decreased by \$291,968.67. Major changes were a decrease in accounts payable of \$163,601.18 and the bond payable to the Division of Water Quality was reduced by \$150,000.00.

Change in Net Assets

This report compares revenues and expenses between 2004 and 2005 calendar years. The report concludes by showing the increase or decrease in net assets.

Change in Net Assets				
	2005	2004 (Memo Only)	Increase (Decrease)	% Change
<u>Revenues</u>				
Charges for Services	\$ 2,962,234.37	\$ 2,809,594.27	\$ 152,640.10	5.43%
Property Tax & Vehicle Fees	3,524,889.52	3,251,310.01	273,579.51	8.41%
Sewer Impact Fees	661,650.00	415,740.00	245,910.00	59.15%
Interest Earnings	309,857.47	149,111.01	160,746.46	107.80%
Rentals	39,740.11	27,067.74	12,672.37	46.82%
Miscellaneous	4,276.04	26,991.25	(22,715.21)	-84.16%
Total Revenues	\$ 7,502,647.51	\$ 6,679,814.28	\$ 822,833.23	12.32%
<u>Expenses</u>				
Payroll & Benefits	\$ 2,089,094.96	\$ 1,995,710.23	\$ 93,384.73	4.68%
Utilities & Services	656,821.27	629,881.65	26,939.62	4.28%
Depreciation	1,592,835.97	1,480,281.38	112,554.59	7.60%
Operation & Maintenance	765,591.53	640,512.39	125,079.14	19.53%
Pretreatment	158,650.03	153,211.82	5,438.21	3.55%
Total Expenses	\$ 5,262,993.76	\$ 4,899,597.47	\$ 363,396.29	7.42%
Increase in Net Assets	\$ 2,239,653.75	\$ 1,780,216.81	\$ 459,436.94	25.81%
Net Assets-Beginning of Year	40,594,261.64	38,814,044.83	1,780,216.81	4.59%
Net Assets-End of Year	\$ 42,833,915.39	\$ 40,594,261.64	\$ 2,239,653.75	5.52%

Total operating revenues increased by \$426,219.61 during 2005. Major increases were property taxes, \$333,617.43 and treatment fees charged to the cities, \$179,524.00. Both of these increases were the result of growth. Decreases were property tax redemptions, \$31,667.04, fee in lieu, \$28,370.88 and surcharges on treatment fees, \$33,191.39. All three of the decreases are accounts that vary year to year. None of the decreases were large in value.

Non operating revenues increased by \$396,613.62. Sewer impact fees increased by \$245,910.00 over 2004. This was in direct relationship to growth and development.

Interest revenue increased by \$160,746.46. Most of this increase was due to higher interest rates. Interest rate were 2.3126% in December, 2004 and 4.1486% in December, 2005.

Operating expenses increased by \$363,396.29 in total. All five departments increased from one year ago.

Payroll and Benefits increased by \$93,384.73. All employees received a 1.6% cost of living increase. Some employees also received a step increase. Health insurance rates continued to increase in double digits.

Utilities and Services experienced an increase of \$26,939.62. Rates on utilities increased during the year.

Depreciation expense increased by \$112,554.59. Depreciation, a non-cash expense, increased because of additional assets added during the year.

Operation and Maintenance increased because of additional flows into the plant and an increase cost of treatment supplies. The increase amounted to \$125,079.14.

The change in net assets for 2005 was an increase of \$2,239,653.75. This increase will provide additional funding for capital assets projected for future years.

Economic Factors and Next Year's Budget

Housing and business growth should continue for the District at about the same pace as recent years. Hooper City will continue to add portions of their city to the District's collection system in the coming year.

The District will construct a new south interceptor line in Riverdale. The cost of this project will exceed \$4,000,000. Design preparations will begin in 2006 for a new processing plant to be built on the current site and function with the old plant. The new plant should be operational in approximately four years at an estimated cost of \$110,000,000. This project will greatly enlarge the capacity of the plant. It will also require the District to look for methods to finance such a large project.

Request for Information

The financial report is designed to provide taxpayers, customers, creditors and management with a general overview of the District's finances and to show the District's accountability for money received. If you have any questions about the report or need additional financial information, please contact:

Central Weber Sewer Improvement District
Attention: John Cardon
2618 W. Pioneer Road
Marriott-Slaterville, UT 84404

Central Weber Sewer Improvement District
Statement of Net Assets
Proprietary Fund
Year Ended December 31, 2005

	2005	2004 (Memo Only)	Increase (Decrease)	% Change
ASSETS				
Current Assets:				
Checking - Bank of Utah	\$ 98,382.73	\$ 62,037.72	\$ 36,345.01	58.59%
Public Treasurers' Investment Fund	10,731,638.42	9,533,138.54	1,198,499.88	12.57%
Petty Cash	200.00	200.00	-	0.00%
Owner's Escrow - House Rental	278.23	250.00	28.23	11.29%
Accounts Receivable	206,443.92	194,607.46	11,836.46	6.08%
Prepaid Expenses	37,094.29	36,434.69	659.60	1.81%
Total Current Assets	\$ 11,074,037.59	\$ 9,826,668.41	\$ 1,247,369.18	12.69%
Noncurrent Assets:				
Restricted Cash-Larsen Retainage	\$ 62,448.71	\$ 60,421.08	\$ 2,027.63	3.36%
Restricted Cash-Water Reuse	347.42	336.13	11.29	3.36%
Restricted Cash-Bond Reserves	254,496.00	190,872.00	63,624.00	33.33%
Capital Assets	62,132,948.19	59,905,459.54	2,227,488.65	3.72%
Less: Accumulated Depreciation	(20,650,446.75)	(19,057,610.78)	(1,592,835.97)	8.36%
Total Noncurrent Assets	\$ 41,799,793.57	\$ 41,099,477.97	\$ 700,315.60	1.70%
Total Assets	\$ 52,873,831.16	\$ 50,926,146.38	\$ 1,947,684.78	3.82%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Net Assets
Proprietary Fund (Continued)
Year Ended December 31, 2005

	2005	2004 (Memo Only)	Increase (Decrease)	% Change
LIABILITIES				
Current Liabilities:				
Accounts Payable - General	\$ 152,249.68	\$ 315,850.86	\$ (163,601.18)	-51.80%
Employee Committee	679.80	310.54	369.26	118.91%
Retainage Payable - Larsen	62,448.71	60,421.08	2,027.63	3.36%
Current Portion Long Term Debt	154,000.00	144,000.00	10,000.00	6.94%
Total Current Liabilities	\$ 369,378.19	\$ 520,582.48	\$ (151,204.29)	-29.05%
Noncurrent Liabilities:				
Accrued - Compensated Absences	\$ 123,537.58	\$ 110,302.26	\$ 13,235.32	12.00%
Note Payable - Ogden City	17,000.00	21,000.00	(4,000.00)	-19.05%
Bonds Payable - DWQ	9,530,000.00	9,680,000.00	(150,000.00)	-1.55%
Total Noncurrent Liabilities	\$ 9,670,537.58	\$ 9,811,302.26	\$ (140,764.68)	-1.43%
Total Liabilities	\$ 10,039,915.77	\$ 10,331,884.74	\$ (291,968.97)	-2.83%
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	\$ 31,781,501.44	\$ 31,002,848.76	\$ 778,652.68	2.51%
Restricted for Water Reuse	347.42	336.13	11.29	3.36%
Restricted for Bond Reserves	254,496.00	190,872.00	63,624.00	33.33%
Unrestricted	10,797,570.53	9,400,204.75	1,397,365.78	14.87%
Total Net Assets	\$ 42,833,915.39	\$ 40,594,261.64	\$ 2,239,653.75	5.52%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended December 31, 2005

	2005	2004 (Memo Only)	Increase (Decrease)	% Change
<u>Revenues</u>				
Property Taxes	\$ 3,013,121.32	\$ 2,679,503.89	\$ 333,617.43	12.45%
Redemptions	129,679.10	161,346.14	(31,667.04)	-19.63%
Fee in Lieu - Vehicles	382,089.10	410,459.98	(28,370.88)	-6.91%
Treatment Fees - Cities	2,449,436.00	2,269,912.00	179,524.00	7.91%
Treatment Fees - District	89,610.00	82,117.50	7,492.50	9.12%
Treatment Fees - Bona Vista	59,777.52	62,501.74	(2,724.22)	-4.36%
Treatment Fees - Septic Hauler	65,573.06	65,089.10	483.96	0.74%
Treatment Fees - Surcharges	133,238.61	166,430.00	(33,191.39)	-19.94%
Lagoon Management	8,800.18	5,393.93	3,406.25	63.15%
Pretreatment Fees - Cities	121,104.00	121,955.00	(851.00)	-0.70%
Pretreatment Fees - Inspection	34,695.00	36,195.00	(1,500.00)	-4.14%
Total Operating Revenues	\$ 6,487,123.89	\$ 6,060,904.28	\$ 426,219.61	7.03%
<u>Expenses</u>				
Payroll & Benefits	\$ 2,089,094.96	\$ 1,995,710.23	\$ 93,384.73	4.68%
Utilities & Services	656,821.27	629,881.65	26,939.62	4.28%
Depreciation	1,592,835.97	1,480,281.38	112,554.59	7.60%
Operation & Maintenance	765,591.53	640,512.39	125,079.14	19.53%
Pretreatment	158,650.03	153,211.82	5,438.21	3.55%
Total Operating Expenses	\$ 5,262,993.76	\$ 4,899,597.47	\$ 363,396.29	7.42%
Net Operating Income	\$ 1,224,130.13	\$ 1,161,306.81	\$ 62,823.32	5.41%
<u>Non-Operating Revenue</u>				
Sewer Impact Fees	\$ 661,650.00	\$ 415,740.00	\$ 245,910.00	59.15%
Interest Revenue	309,857.47	149,111.01	160,746.46	107.80%
House Rental	35,589.11	24,362.74	11,226.37	46.08%
Property Rental	4,151.00	2,705.00	1,446.00	53.46%
Sale of Assets	-	6,000.00	(6,000.00)	-100.00%
Miscellaneous	4,276.04	20,991.25	(16,715.21)	-79.63%
Total Non-Operating Revenue	\$ 1,015,523.62	\$ 618,910.00	\$ 396,613.62	64.08%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund (Continued)
Year Ended December 31, 2005

	2005	2004 (Memo Only)	Increase (Decrease)	% Change
Change in Net Assets	\$ 2,239,653.75	\$ 1,780,216.81	\$ 459,436.94	25.81%
Net Assets-Beginning of Year	40,594,261.64	38,814,044.83	1,780,216.81	4.59%
Net Assets-End of Year	\$ 42,833,915.39	\$ 40,594,261.64	\$ 2,239,653.75	5.52%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2005

	Year	
	2005	2004 (Memo Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from intergovernmental revenue - property taxes	\$ 3,462,193.86	\$ 3,198,420.72
Receipts from customers and users	2,984,260.80	2,788,756.61
Payments to employees	(2,217,251.06)	(2,126,290.53)
Payments to suppliers	(1,572,702.53)	(1,241,765.68)
Net cash provided (used) by operating activities	\$ 2,656,501.07	\$ 2,619,121.12
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Other non-operating income	\$ 4,276.04	\$ 26,991.25
Impact fees	661,650.00	415,740.00
Purchases of capital assets	(23,389.43)	(75,221.89)
Acquisition and construction of capital assets	(2,204,099.22)	(1,318,589.75)
Principal paid on capital debt	(144,000.00)	(134,000.00)
Net cash provided (used) by capital and related financing activities	\$ (1,705,562.61)	\$ (1,085,080.39)
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental Income	\$ 39,740.11	\$ 27,067.74
Interest and dividends	309,857.47	149,111.01
Net cash provided (used) by investing activities	\$ 349,597.58	\$ 176,178.75
Net increase (decrease) in cash and cash equivalents	\$ 1,300,536.04	\$ 1,710,219.48
Balances - Beginning of the year	9,847,255.47	8,137,035.99
Balances - End of the year	\$ 11,147,791.51	\$ 9,847,255.47
Cash, including time deposits	\$ 10,830,499.38	\$ 9,595,626.26
Restricted cash, including time deposits	317,292.13	251,629.21
Total cash and cash equivalents, end of year	\$ 11,147,791.51	\$ 9,847,255.47

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended December 31, 2005

	Year	
	2005	2004 (Memo Only)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED		
(USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,224,130.13	\$ 1,161,306.81
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$ 1,592,835.97	\$ 1,480,281.38
Bad Debt expense	28,832.77	
(Increase) decrease in prepaid expenses	(659.60)	(1,696.47)
(Increase) decrease in accounts receivable	22,026.43	(20,837.66)
(Increase) decrease in intergovernmental receivables	(62,695.66)	(32,889.29)
Increase (decrease) in accounts payable	(163,601.18)	50,850.86
Increase (decrease) in retainage payable	2,027.63	1,059.12
Increase (decrease) in compensated absences payable	13,235.32	938.76
Increase (decrease) in employee committee payable	369.26	107.61
Increase (decrease) in deferred revenue	-	(20,000.00)
Total Adjustments	\$ 1,432,370.94	\$ 1,457,814.31
Net cash provided by operating activities	\$ 2,656,501.07	\$ 2,619,121.12

The notes to the financial statements are an integral part of this statement.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Central Weber Sewer Improvement District, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The District has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Central Weber Sewer Improvement District is a special district organized for the purpose of providing sewage treatment services to Weber and Davis County cities. The District operates under a Board of Trustees form of government.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

B. Fund Financial Statements

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The District reports the following major proprietary fund:

Sewer Fund - The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances are combined to form a pool of cash which is managed by the District Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The District Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The District considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the District, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the statement of net assets because their use is limited.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Capital Assets

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-15 years
Improvements	10-50 years	Infrastructure	25-40 years

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the fund financial statements.

E. Revenues and Expenditures

The following are the District's significant policies related to recognition and reporting of certain revenues, and expenditures.

Revenue Availability

Statement of Governmental Accounting Standards (SGAS) No. 33, Accounting and Financial Reporting for Non-exchange Transactions, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the District has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2005.

Expenditure Recognition

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

F. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

District policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the proprietary financial statements.

H. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operation. The columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis.

I. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Receivables

Receivables include amounts due from customers primarily for services. These receivables are due within one month of billing. No allowance for doubtful accounts has been recorded since the District considers all accounts to be collectible. When an amount is deemed to be uncollectible, the receivable will be written off at that time.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The District's deposits are carried at cost.

At December 31, 2005, the carrying amount of the District's deposits was \$98,861 and the bank balance was \$214,060. Of the bank balance, \$100,000 was covered by federal depository insurance.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 11,048,931	\$ 11,044,114

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary

	Carrying Amount
Deposits	\$ 98,861
Investment in Utah Public Treasurer's Investment Fund	11,048,931
Total deposits and investments	<u>\$11,147,792</u>
Equity in pooled cash and investments	\$10,830,500
Restricted cash - debt retirement	254,496
Restricted cash - retainage payable	62,449
Restricted cash - water reuse	347
Total deposits and investments	<u>\$11,147,792</u>

Deposit and Investment Risk Disclosure. Deposits and investments for Central Weber Sewer Improvement District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2005, were \$214,060, of which \$100,000 was insured under federal depository insurance.

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Act.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005, was as follows:

	Balance December 31, 2004	Additions	(Deletions)	Balance December 31, 2005
BUSINESS-TYPE ACTIVITIES				
Nondepreciated Assets				
Land	\$ 888,084	\$ -	\$ -	\$ 888,084
Construction in progress	1,565,991	476,422	(1,064,447)	977,966
Total nondepreciated assets	2,454,075	476,422	(1,064,447)	1,866,050
Depreciated Assets				
Buildings and structures	14,537,797	1,801,555	-	16,339,352
Treatment facilities	21,168,298	244,149	-	21,412,447
Outfall lines	19,948,441	690,969	-	20,639,410
Equipment	919,895	58,858	-	978,753
Vehicles	876,954	19,983	-	896,937
Total depreciated assets	57,451,385	2,815,514	-	60,266,899
Less accumulated depreciation				
Buildings and structures	(2,858,398)	(371,827)	-	(3,230,225)
Treatment facilities	(9,962,376)	(629,764)	-	(10,592,140)
Outfall lines	(5,133,332)	(412,788)	-	(5,546,120)
Equipment	(457,160)	(100,397)	-	(557,557)
Vehicles	(646,345)	(78,060)	-	(724,405)
Total accumulated depreciation	(19,057,611)	(1,592,836)	-	(20,650,447)
Net assets depreciated	38,393,774	1,222,678	-	39,616,452
Business type activities - net	<u>\$ 40,847,849</u>	<u>\$ 1,699,100</u>	<u>\$ (1,064,447)</u>	<u>\$ 41,482,502</u>
Depreciation Expense				
December 31, 2005		<u>\$ 1,592,836</u>		

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 4 - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2005, was as follows:

Description	Interest Rate	Outstanding 12/31/2004	Additions	Payments	Outstanding 12/31/2005	Current Portion
Series 2000 \$10,180,000						
Taxable sewer revenue bonds	NONE	\$ 9,820,000	\$ -	\$ 140,000	\$ 9,680,000	\$ 150,000
Note payable - Ogden City	NONE	25,000	-	4,000	21,000	4,000
Compensated absences	NONE	110,302	13,236	-	123,538	-
Total Long Term Debt		<u>\$ 9,955,302</u>	<u>\$ 13,236</u>	<u>\$ 144,000</u>	<u>\$ 9,824,538</u>	<u>\$ 154,000</u>

Bond Resolution

Series 2000 Sewer Revenue Bonds - On February 13, 2001, the District Trustees by resolution 2000-1, entered into an agreement authorizing the issuance and confirming the sale of non-interest-bearing, taxable sewer revenue bonds, Series 2000, of Central Weber Sewer Improvement District, Weber County, Utah, in an amount not to exceed \$10,180,000. The purpose of the bond issue is defraying a portion of the cost of constructing sewage collection and treatment facilities and related improvements. As of December 31, 2005, \$10,180,000 has been issued and \$9,680,000 is outstanding. The annual requirements to amortize this debt is as follows:

December 31,	Principal	Total
2006	\$ 150,000	\$ 150,000
2007	160,000	160,000
2008	170,000	170,000
2009	180,000	180,000
2010	190,000	190,000
2011-2015	1,070,000	1,070,000
2016-2020	1,100,000	1,100,000
2021-2025	1,100,000	1,100,000
2026-2030	1,100,000	1,100,000
2031-2035	1,100,000	1,100,000
2036-2040	3,360,000	3,360,000
	<u>\$ 9,680,000</u>	<u>\$ 9,680,000</u>

Note Payable - Ogden City--On January 27, 1986, the Central Weber Sewer Improvement District entered into an agreement with Ogden City to purchase two sewer lines; the Wall Avenue and DDO outfall lines.

The District agreed to pay Ogden City the sum of \$105,000 payable in annual installments of \$4,000 beginning in 1986 and continuing until the year 2011. The note is non-interest bearing. The balance at December 31, 2005, was \$21,000. The annual requirements to amortize this debt is as follows:

December 31,	Principal
2006	\$ 4,000
2007	4,000
2008	4,000
2009	4,000
2010	4,000
2011	1,000
	<u>\$ 21,000</u>

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Compensated Absences - This amount represents the accumulated unpaid vacation and compensatory time which would be paid if employees had terminated employment at December 31, 2005. The balance in this account at December 31, 2005, was \$123,538.

NOTE 5 - BOND RESOLUTION COMPLIANCE - SERIES 2000 SEWER REVENUE BONDS

The Series 2000 Sewer Revenue Bonds issuance provides for the establishment of the following funds:

- 1) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve one-twelfth (1/12) of the annual principal payment due on the sewer revenue bond. This Bond Account will then be used to make the annual payment. As the annual bond payment is made in December, the balance in this account at December 31, 2005, was \$0.
- 2) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve \$3,535 until such time as the aggregate reserve equals \$254,500. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position. The balance in this account at December 31, 2005, was \$169,680.
- 3) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve \$1,767 until such time as the aggregate reserve equals \$127,250. This Emergency Repair and Replacement Account shall be used to make such emergency repairs of, or replacements to, the system to ensure its continued operation. The balance in this account at December 31, 2005, was \$84,816.

NOTE 6 - RETIREMENT BENEFITS

Plan Description

The Central Weber Sewer Improvement District (District) contributes to the Local Governmental Contributory Retirement System (Contributory system) and Local Governmental Noncontributory Retirement System (Noncontributory System), all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issued a publicly available financial report that includes basic financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. For the period January 2005 - December 2005, this was 6.0% of their annual covered salary that was paid to the Contributory System. The Central Weber Sewer Improvement District is required to contribute a percent of covered salary to the respective systems. For the period of January 2005 - December 2005, this was 7.08% to the Contributory and 11.09% to the Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the Contributory Retirement System for December 31, 2005, 2004 and 2003, were \$4,568, \$4,083, and \$3,148, respectively. The District's contributions to the Noncontributory Retirement System for December 31, 2005, 2004 and 2003, were \$135,333, \$124,066, and \$102,946, respectively. The District's contributions to the 401(K) plan for December 31, 2005, 2004 and 2003, were \$66,959, \$64,047, and \$58,697, respectively. The contributions were equal to the required contributions for each year.

NOTE 7 - RISK MANAGEMENT

Central Weber Sewer Improvement District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of December 31, 2005, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 8 - LEGAL COMPLIANCE BUDGETS

The budget for the fiscal year ending December 31, 2005, was approved and adopted by resolution or ordinance dated December 20, 2004. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 20, 2004. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

NOTE 90 - RESTRICTED NET ASSETS

Reserved for Debt Retirement - This represents required bond reserves for revenue bonds outstanding.

Reserved for Retainage Payable - This represents funds restricted for payment of retainage payable.

Reserved for Water Reuse - This represents funds set aside for the specified purpose.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 10 - POST-EMPLOYMENT BENEFITS

The District does not provide any post-employment benefits.

NOTE 11 - PROPERTY TAX CALENDAR

Lien date	Jan. 1
Taxing districts notify the county of date, time and place of public hearing	Mar. 1
County auditor sends valuation certified tax rate and levy worksheets to each taxing district	Jun. 8
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit it to the county auditor	Before Jun. 22
Taxing district adopts a final tax rate if there is no increase in the certified tax rate	Jun. 22
Due date for property taxes	Nov. 30
Taxing district adopts the final budget prior to beginning of the ensuing year	
Copy of the budget is submitted to the state auditor within 30 days of its adoption	

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT

AUDITOR'S REPORT

DECEMBER 31, 2005

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Board of Trustees
Central Weber Sewer Improvement District
Marriott-Slaterville, Utah

We have audited the financial statements of the Central Weber Sewer Improvement District, for the year ended December 31, 2005, and have issued our report thereon dated June 15, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Impact fees

Budgetary Compliance
Property Tax
Special District Compliance Items
Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the Central Weber Sewer Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITOR'S REPORT ON
STATE LEGAL COMPLIANCE

Page 2

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Central Weber Sewer Improvement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Davis, Chare & Associates

June 15, 2006

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-STATE LEGAL COMPLIANCE
DECEMBER 31, 2005

There were no findings and questioned costs for the year ended December 31, 2005.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS-
STATE LEGAL COMPLIANCE

DECEMBER 31, 2005

There were no findings and questioned costs for the year ended December 31, 2004.

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Central Weber Sewer Improvement District
Marriott-Slaterville, Utah**

We have audited the financial statements of the Central Weber Sewer Improvement District, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Central Weber Sewer Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Weber Sewer Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
PAGE 2

This report is intended solely for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Chase & Associates

June 15, 2006